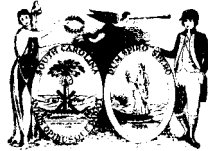


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

March 27, 2002

Mr. John Twitty, Controller
Health Management Resources
101 Grace Drive
Easley, South Carolina 29640-9088

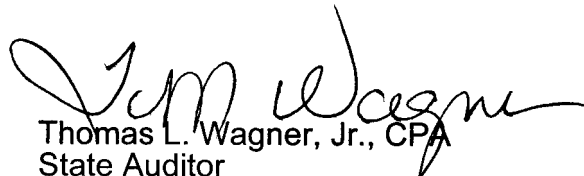
Re: AC# 3-BWD-J9 – Briarwood Nursing Center

Dear Mr. Twitty:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1998 through September 30, 1999. That report was used to set the rate covering the contract period beginning October 1, 2000.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph Hayes

**BRIARWOOD NURSING CENTER
SIMPSONVILLE, SOUTH CAROLINA**

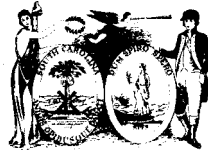
**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2000
AC# 3-BWD-J9**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

May 10, 2001

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Briarwood Nursing Center, for the contract period beginning October 1, 2000, and for the twelve month cost report period ended September 30, 1999, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

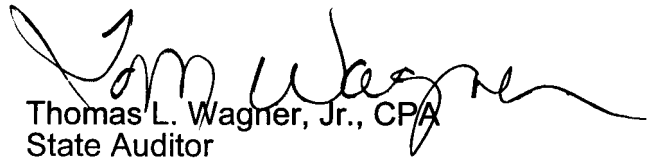
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Briarwood Nursing Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Briarwood Nursing Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
May 10, 2001

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

BRIARWOOD NURSING CENTER
Computation of Rate Change
For the Contract Period
Beginning October 1, 2000
AC# 3-BWD-J9

Interim reimbursement rate (1)	\$95.89
Adjusted reimbursement rate	<u>95.26</u>
Decrease in reimbursement rate	\$ <u><u>.63</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000

BRIARWOOD NURSING CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period Beginning October 1, 2000
AC# 3-BWD-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$41.27	\$52.17	
Dietary		12.72	11.39	
Laundry/Housekeeping/Maint.		<u>7.48</u>	<u>8.99</u>	
Subtotal	<u>\$5.08</u>	61.47	72.55	\$61.47
Administration & Med. Records	<u>\$1.41</u>	<u>12.04</u>	<u>13.45</u>	<u>12.04</u>
Subtotal		73.51	<u>\$86.00</u>	73.51
<u>Costs Not Subject to Standards:</u>				
Utilities		1.66		1.66
Special Services		.71		.71
Medical Supplies & Oxygen		4.30		4.30
Taxes and Insurance		1.48		1.48
Legal Fees		<u>.03</u>		<u>.03</u>
TOTAL		<u>\$81.69</u>		81.69
Inflation Factor (3.20%)				2.61
Cost of Capital				6.73
Cost of Capital Limitation				(2.10)
Profit Incentive (Max. 3.5% of Allowable Cost)				1.41
Cost Incentive				5.08
Effect of \$1.75 Cap on Cost/Profit Incentives				(4.74)
Nurse Aide Staffing Add-On 10/1/00				3.69
Nurse Aide Staffing Add-On 10/1/99				<u>.89</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$95.26</u>

BRIARWOOD NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-BWD-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$ 567,468	\$ -	\$ 1,680 (5)	\$ 565,788
Dietary	174,371	-	-	174,371
Laundry	16,767	-	2,605 (1) 3 (5)	14,159
Housekeeping	55,654	-	23 (5)	55,631
Maintenance	32,837	-	35 (5)	32,802
Administration & Medical Records	168,885	-	1,741 (2) 2,092 (5)	165,052
Utilities	22,886	-	68 (5)	22,818
Special Services	9,750	-	-	9,750
Medical Supplies & Oxygen	58,987	-	4 (5)	58,983
Taxes and Insurance	20,350	3 (5)	-	20,353
Legal Fees	460	-	1 (5)	459
Cost of Capital	96,679	-	122 (3) 4,232 (4) 65 (5)	92,260
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal	1,225,094	3	12,671	1,212,426
Ancillary	30,640	-	-	30,640

BRIARWOOD NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-BWD-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Non-Allowable	43,802	2,605 (1) 1,741 (2) 4,232 (4) <u>3,968 (5)</u>	-	56,348
	<u> </u>		<u> </u>	<u> </u>
Total Operating Expenses	\$ <u>1,299,536</u>	\$ <u>12,549</u>	\$ <u>12,671</u>	\$ <u>1,299,414</u>
Total Patient Days	<u>13,710</u>	<u>-</u>	<u>-</u>	<u>13,710</u>
Total Beds	<u>39</u>			

BRIARWOOD NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-BWD-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Laundry	\$ 2,605	\$ 2,605
	To adjust laundry allocation State Plan, Attachment 4.19D HIM-15-1, Section 2150		
2	Nonallowable Administration	1,741	1,741
	To adjust professional accounting fees State Plan, Attachment 4.19D HIM-15-1, Section 2150		
3	Fixed Assets Other Equity Accumulated Depreciation Cost of Capital	64,203 2,567	66,648 122
	To adjust fixed assets and related depreciation State Plan, Attachment 4.19D		
4	Nonallowable Cost of Capital	4,232	4,232
	To adjust capital return State Plan, Attachment 4.19D		

BRIARWOOD NURSING CENTER

Adjustment Report

Cost Report Period Ended September 30, 1999

AC# 3-BWD-J9¹

To adjust Home Office Cost Allocation
HIM-15-1 Section 2150

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

BRIARWOOD NURSING CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-BWD-J9

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3156</u>
Deemed Asset Value (Per Bed)	36,165
Number of Beds	<u>39</u>
Deemed Asset Value	1,410,435
Improvements Since 1981	103,952
Accumulated Depreciation at 09/30/99	<u>(148,995)</u>
Deemed Depreciated Value	1,365,392
Market Rate of Return	<u>.060</u>
Total Annual Return	81,924
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	81,924
Depreciation Expense	9,633
Amortization Expense	703
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	92,260
Total Patient Days (Minimum 96% Occupancy)	<u>13,710</u>
Cost of Capital Per Diem	\$ <u><u>6.73</u></u>

BRIARWOOD NURSING CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-BWD-J9

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$.64
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>4.63</u>
Reimbursable Cost of Capital Per Diem	\$ 4.63
Cost of Capital Per Diem	<u>6.73</u>
Cost of Capital Per Diem Limitation	\$ <u>(2.10)</u>

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